



Georgia Conservation Tax Credit Program 2011 Summary Report

Introduction

This report summarizes activities of the Georgia Conservation Tax Credit Program (GCTCP) during 2011. The 2006 Conservation Tax Credit Act (H.B. 1107) created a state income tax credit for taxpayers who voluntarily and permanently restrict the uses of their property in ways that advance the state's conservation goals, which currently include:

- ❖ Water quality protection,
- ❖ Erosion prevention,
- ❖ Wildlife habitat protection,
- ❖ Maintenance of prime farm and forestland,
- ❖ Provision of outdoor recreation,
- ❖ Connecting conservation lands and
- ❖ Historic resource protection.

The state tax credit was designed to supplement available financial deductions for conservation donations. In addition to the federal deduction, the state provides conservation donors with a tax credit of up to 25% of the fair market value of their donation, subject to a maximum credit of:

- ❖ \$250,000 for individual donors,
- ❖ \$500,000 for corporate donors and
- ❖ \$1 million for partnership donors.

Eligibility of conservation donations is assessed by the Department of Natural Resources ("the Department"). The Department certifies that donations meet the definition of Georgia's conservation goals. The Department also maintains a list of entities that may receive tax credit-eligible donations, which are known as "qualified organizations". Qualified organizations include all local governments and state agencies, as well as organizations that demonstrate annual compliance with these four criteria:

- ❖ Registered with the Georgia Secretary of State,
- ❖ Classified by the Internal Revenue Service as a 501(c)3 charitable organization,
- ❖ Authorized to acquire, hold and maintain land under Internal Revenue Code 1.170A-14c and
- ❖ Formally adopted the Standards and Practices of the Land Trust Alliance.

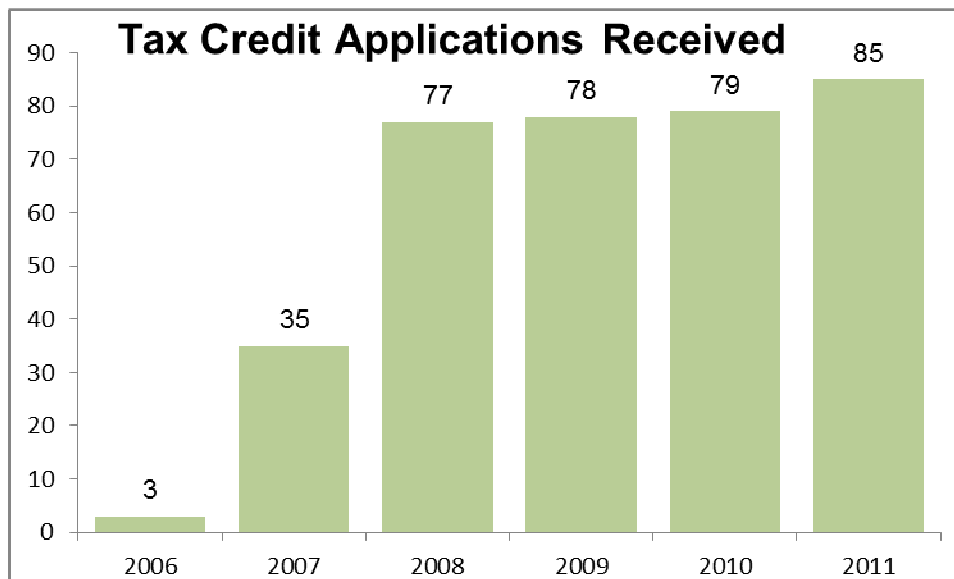
Program Changes

Representative Knight and Senator Williams successfully sponsored 2011 H.B. 346, which allows earned conservation tax credits to be bought and sold after January 1, 2012. The fiscal note prepared by Georgia State University estimates that this provision of H.B. 346 will cost the state approximately \$17.8 million between fiscal years 2012 and 2014. It should be noted that subsequent revisions to the GCTCP made through 2012 H.B. 386 will reduce the revenue impacts of tax credit transferability after January 1, 2013.

Changes to the federal deduction for donors of conservation easements impacted conservation activity in Georgia during 2011. The federal deduction reverted to pre-2008 levels on January 1, 2012 (see chart below). The anticipated reduction in federal incentives in 2012 caused many landowners to donate easements in 2011.

Provision	2008-2011 Federal Tax Deduction	Pre-2008 & 2012+ Federal Tax Deduction
Incentive	<ul style="list-style-type: none"> • 50% of AGI for easement donations • 100% of AGI for easement donations by farmers & ranchers (earn most of income from farming) • 30% of AGI for all fee-title donations 	30% of Adjusted Gross Income (AGI) for all qualifying easement and fee-title donations
Carry forward	Tax year plus 15 years	Tax year plus 5 years

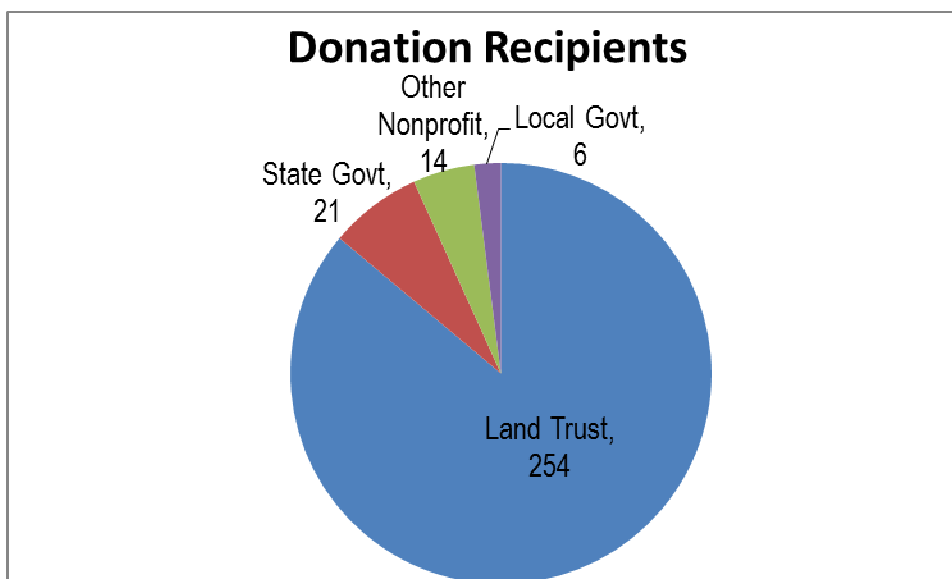
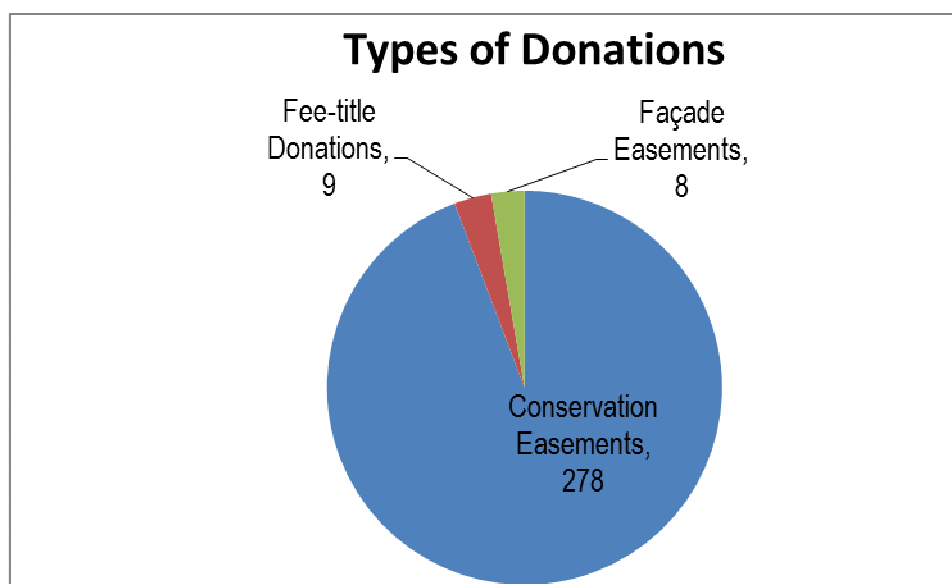
Since 2006, the Department has received 357 tax credit applications for certification and/or pre-certification. The number of applications has stabilized since the Department began accepting them in December of 2006. However, tax credit transferability, the associated rise in broker activity, anticipation of future program restrictions and the possible renewal of greater federal tax incentives will likely increase donations in 2012.



The GCTCP experienced a staff change in 2011. Kristina Sorensen, GCTCP Coordinator, accepted a position as Executive Director of Conservation Tax Credit Transfer in October, 2011. This position's responsibilities are currently being managed by staff at the Department's Nongame Conservation Section.

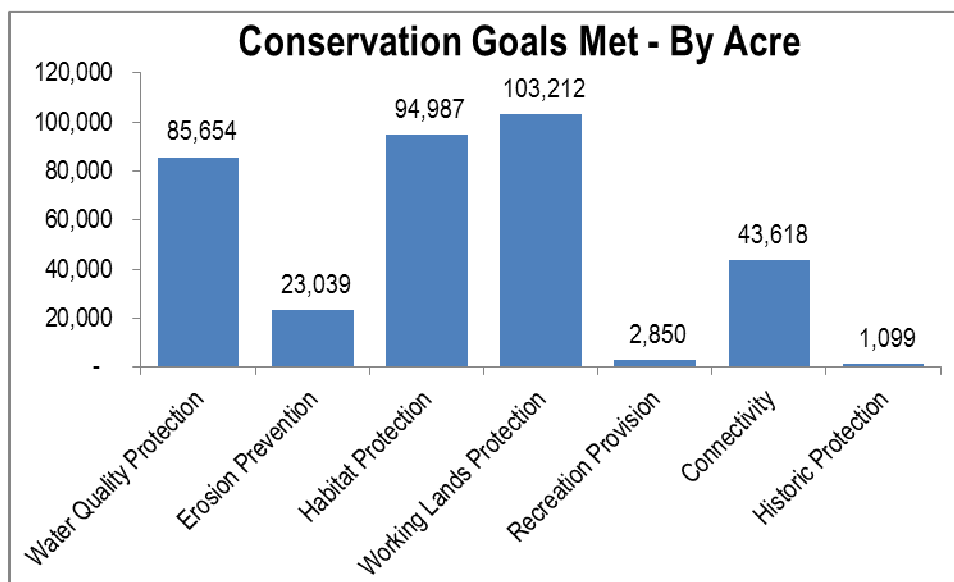
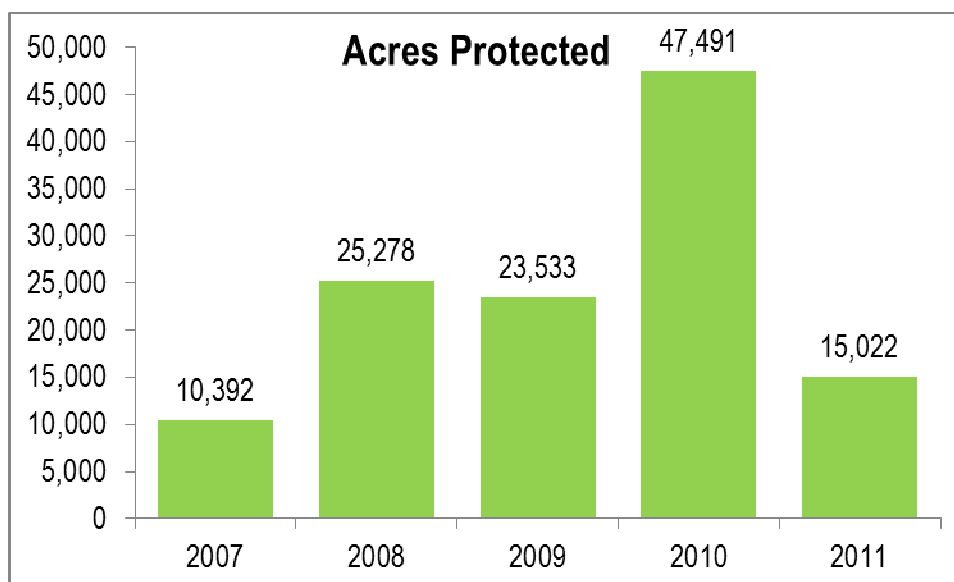
Donation Profile

The Department has certified 295 donations for the conservation tax credit. There are 62 applications that are pending or denied. Most certified donations have been conservation easements (94%), with a few facade easements (3%) and fee-title donations (3%). Most tax credit-eligible donations are made to land trusts (86%). Recipients also include other non-profits (5%), state agencies (7%) and local governments (2%).



Accomplishments

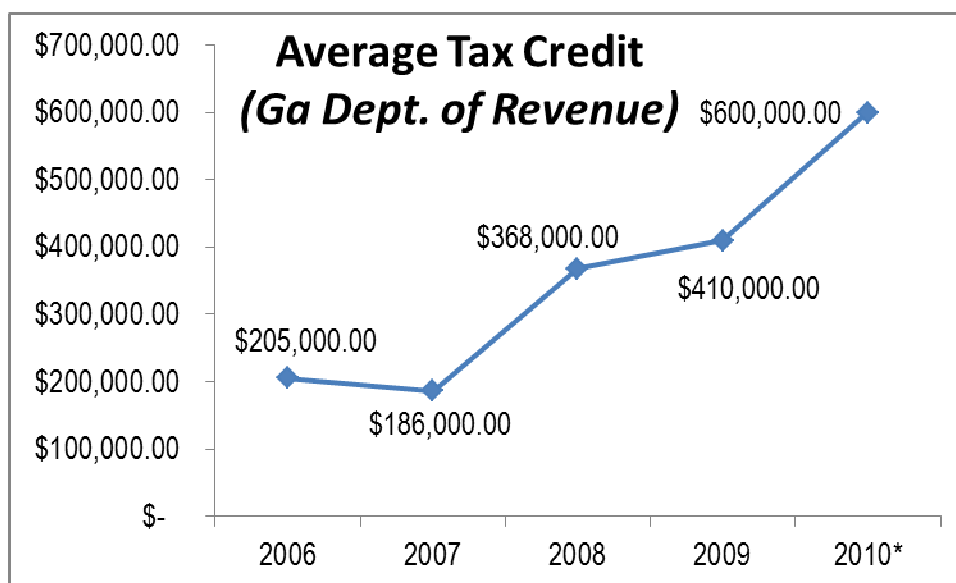
The conservation tax credit program has incentivized the permanent protection of 121,716 acres that meet one or more state conservation goals. Many of the 85 applications received in 2011 were only for pre-certification. They will be counted as permanently protected acres here only after receiving full certification.



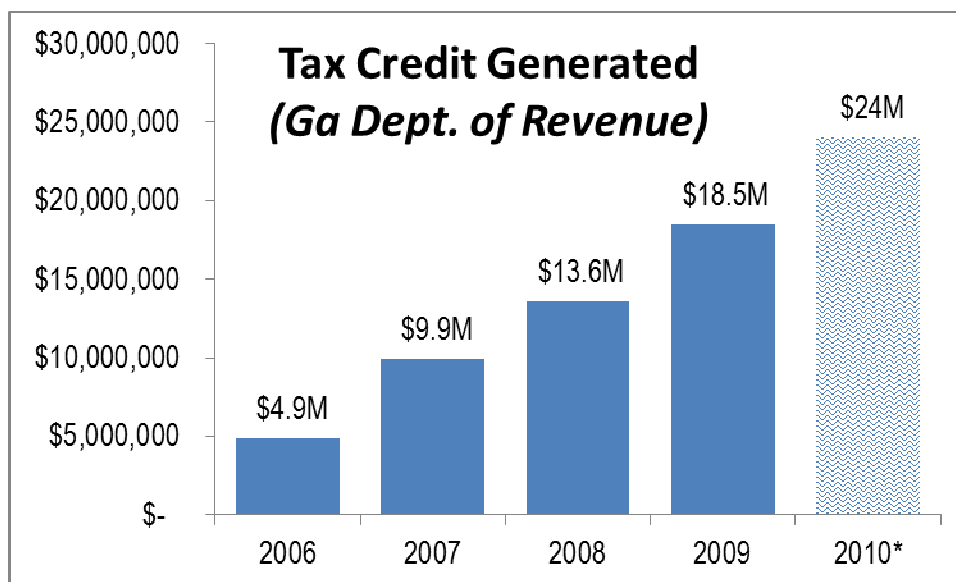
The Department certifies donations based on their protection of at least one of seven state conservation goals. Many conservation goals are often supported by single donations. The conservation goal that has been most commonly advanced by tax credit-eligible donations is Working Lands Protection (85% of certified acres). Habitat Protection (78% of certified acres) and Water Quality Protection (70% of certified acres) are the next most commonly certified goals. Other goals include connectivity (36%), erosion prevention (19%), recreation provision (2%) and historic preservation (1%).

Cost of Tax Credit Program

The Department's Nongame Conservation Section administers the GCTCP with funding assistance from the Georgia Environmental Finance Authority (GEFA). One Department staff position is dedicated to the GCTCP. All other costs take the form of foregone revenue from claimed tax credits. To date, credit claims from 2010 tax returns are not fully calculated*¹. Consequently, the amount of credit generated in 2010 is an estimate based on credits approved to date. Average figures are available based on applications received.



The average tax credit claimed has risen over time as more landowners have learned how to take advantage of the higher credit caps for corporate (\$500,000) and partnership (\$1 million) donors. This has caused the total amount of tax credit generated – and state revenue foregone – to climb steadily, even as the number of annual tax credit applications has remained relatively consistent since 2008.



¹ Amended 2010 tax returns were due on 10/15/11. These amended returns are not fully processed as of 1/1/12.

There are 295 certified tax credit donations (green dots) that have been made in 105 Georgia counties.

